

**BEFORE THE TENNESSEE PUBLIC UTILITY COMMISSION**

**IN RE:** )  
**Navitas TN NG, LLC** ) **DOCKET NO. 17-00027**  
**Actual Cost Adjustment Audit (ACA)** )

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**PETITION TO INTERVENE OR, IN THE ALTERNATIVE, TO CONVENE A  
CONTESTED CASE PROCEEDING TO INVESTIGATE THE PRUDENCE OF GAS  
PURCHASES BY NAVITAS**

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FWM Energy, LLC (“FWM”), an affiliate of B&W Pipeline, LLC (B&W”), owns natural gas wells in Fentress, Morgan and Scott counties in Tennessee and sells natural gas to Navitas TN NG, LLC (“Navitas”) for resale to Navitas customers in Byrdstown and Fentress County.

On March 23, 2017, Navitas submitted its annual ACA (Actual Cost Adjustment) filing to the Tennessee Public Utility Commission (“TPUC”) as required by Commission Rule 1220-04-07-.03(2). The filing reported the purchases and sales of natural gas by Navitas during the period January 1, 2016 through December 31, 2016. The Commission opened Docket 17-00027 for the purpose of auditing the utility’s report of gas purchases and sales. The Commission Staff filed its completed audit Report on July 27, 2017. The Staff’s Report addresses the “Company’s calculations of gas costs incurred and gas costs recovered” (Report, at 5) but does not address the prudence of the utility’s gas purchases.

Since FWM’s wells are located in the area, FWM is normally able to sell gas to Navitas more cheaply than other gas suppliers. During the year-long period covered by the report, Navitas purchased gas from FWM for resale to customers in Byrdstown and Fentress County in nine of the twelve months. On March 14, 2016, FWM wrote Navitas stating that FWM’s “current pricing for Navitas is always lower than the total cost incurred by Navitas for gas delivered to the Spectra

Energy, Morgan County #3 station.”<sup>1</sup> A copy of the letter is attached. On June 27, 2016, and each month thereafter, FWM sent a written proposal to Navitas offering to sell gas at a certain price for a one-month period. Each letter promised that “should Navitas receive a better offer than the one presented in this document . . . we will improve that offer with a 3% discount.” Copies of the letters for June through November, 2016, are attached.

In June, August, and September, 2016, Navitas did not purchase any gas from FWM. Because FWM had offered to beat the price of any competing offer, it is reasonable to question whether Navitas exercised prudent judgment in its gas purchases in those three months. If, in fact, Navitas paid more for gas during any of those months than the price offered by FWM, Navitas should not be allowed to recover those additional and unnecessary gas costs from its customers.<sup>2</sup>

In order to raise these issues, FWM seeks permission to intervene in this docket pursuant to T.C.A. § 4-5-310. FWM clearly has an interest in insuring that Navitas is exercising prudent judgement in its purchasing decisions and the intervention of FWM will not impair the orderly and prompt conduct of these proceedings.

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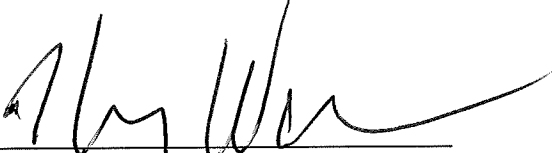
<sup>1</sup> Spectra Energy, Morgan County # 3 station is the point at which gas sold to Navitas by FWM’s competitors is transferred from the Spectra pipeline to B&W Pipeline for eventual delivery to Navitas customers in Byrdstown, Fentress County, and Albany, Kentucky.

<sup>2</sup> Larger gas companies are required to file annually a gas purchase plan with the Commission and are subject to an annual “prudence audit” to insure that the utilities are making reasonable efforts to obtain gas at the cheapest cost. See rule 1220-04-07-.05. This rule does not require small gas companies, such as Navitas, to undergo an annual prudence review. Nevertheless, it is clear from the rule that the Commission has the authority to investigate the prudence of any company’s gas purchases. See T.C.A. § 65-4-104 and 117.

If, however, the Commission determines that this docket is not yet a “contested case” as defined by T.C.A. § 4-5-102(3), FWM asks that the Commission open a contested case proceeding, either as an agency-initiated investigation or as a complaint by FWM against Navitas, to investigate the prudence of the gas purchase practices of Navitas during 2016 and to grant appropriate relief consistent with the agency’s findings.

Respectfully submitted,

BRADLEY ARANT BOULT CUMMINGS LLP

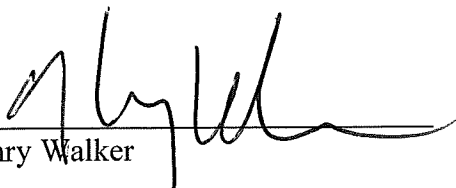
By: 

Henry Walker (B.P.R. No. 000272)  
Bradley Arant Boult Cummings, LLP  
1600 Division Street, Suite 700  
Nashville, TN 37203  
615-252-2363  
[hwalker@babbc.com](mailto:hwalker@babbc.com)  
*Attorney for B&W Pipeline, LLC*

### **CERTIFICATE OF SERVICE**

I hereby certify that on the 28<sup>th</sup> day of July, 2016, a copy of the foregoing document was served on the parties of record, via electronic delivery and U.S. Mail, postage prepaid, addressed as follows:

H. LaDon Baltimore  
Farris Bobango, PLC  
Bank of America Plaza  
414 Union Street, Suite 1105  
Nashville, TN 37219  
[dbaltimore@farris-law.com](mailto:dbaltimore@farris-law.com)

  
Henry Walker



March 14th 2016

Navitas Utilities Corporation  
Mr. Thomas Hartline, President.  
3186 Airway Ave,  
Costa Mesa, CA 92626

RE: FWM Energy Gas Sales

Dear Mr. Hartline:

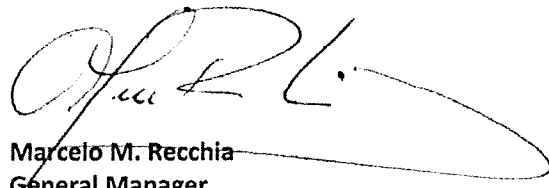
We are in receipt of your letter dated March the 11th. Through this communication we would like to express our surprise on your remarks about the possibility of obtaining natural gas at lower prices from your Spectra supplier since as you are well aware, our current pricing for Navitas is always lower than the total cost incurred by Navitas for gas delivered to the Spectra Energy, Morgan County #3 station.

Through this letter we would also like to reiterate our willingness to continue our conversations in order to arrive at a pricing structure for our gas that would aid enable Navitas to gain competitiveness against other energy alternatives available on the region, especially with regards to Navitas' large industrial customer (Keystone Foods).

It goes without saying that agreeing a convenient pricing for our gas would result in a beneficial impact to Navitas' commodities cost both for the benefit of Navitas' large Kentucky industrial customers and even more so for all the other residential customers that Navitas presently serves both in Tennessee and Kentucky.

We look forward to hearing from you soon.

Sincerely,



Marcelo M. Recchia  
General Manager



June 27<sup>th</sup>, 2016

**Navitas Utilities Corporation**  
**Mr. Thomas Hartline, President.**  
3186 Airway Ave,  
Costa Mesa, CA 92626

RE: Proposal to supply natural gas to Navitas – July 2016 gas contract

Dear Mr. Hartline:

FWM Energy, LLC presents the following proposal to supply natural gas to the B&W gas pipeline:

For the time period of July 1<sup>st</sup> to July 31<sup>th</sup>, 2016:

a.- Supply 4,000 MCF at 3.84 \$/MCF and each MCF over the first 4,000 MCF at 3.73 \$/MCF

or

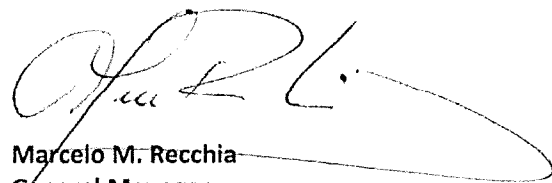
b.- Supply all MCF using the July 2016 NYMEX index (monthly average of Natural Gas price Henry Hub published by eia.gov) and a 1.56 adjustment

i.e. Gas price (\$/MCF) = Henry Hub price monthly average of  
June 2016 x 1.56

It is our dearest interest that Navitas' customers get the best pricing for their gas. As you might know, FWM Energy, LLC produces its natural gas in Fentress, Morgan and Scott Co (TN) – selling this locally produced gas generates jobs, wealth and stability close to the home of your clients. Please also take into account that by purchasing directly from the producer Navitas will not incur the transportation costs charged by Spectra.

As an additional proof of our commitment, should Navitas receive a better offer than the one presented in this document, for gas delivered at the Spectra-Morgan #3 gas station, we will improve that offer with a 3% discount, thus providing the lowest price for gas to Navitas' customers thanks to the price improvement offered and also due to the Spectra transportation cost savings the that the customers currently incur at that delivery point.

Sincerely,



**Marcelo M. Recchia**  
General Manager

10025 Investment Dr. Suite #160  
Knoxville, TN 37932  
Telephone: 865-240-0167  
Fax: 931-443-0300



July 27<sup>th</sup>, 2016

**Navitas Utilities Corporation**  
**Mr. Thomas Hartline, President.**  
3186 Airway Ave,  
Costa Mesa, CA 92626

RE: Proposal to supply natural gas to Navitas – August 2016 gas contract

Dear Mr. Hartline:

FWM Energy, LLC presents the following proposal to supply natural gas to the B&W gas pipeline:

For the time period of August 1<sup>st</sup> to August 30<sup>th</sup>, 2016:

a.- Supply 4,000 MCF at 4.38 \$/MCF and each MCF over the first 4,000 MCF at 4.16 \$/MCF

or

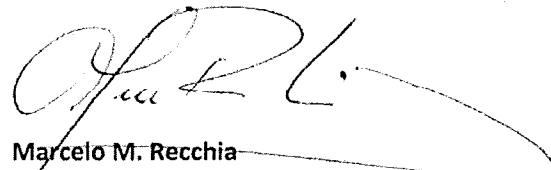
b.- Supply all MCF using the July 2016 NYMEX index (monthly average of Natural Gas price Henry Hub published by eia.gov) and a 1.54 adjustment

i.e. Gas price (\$/MCF) = Henry Hub price monthly average of  
June 2016 x 1.54

It is our dearest interest that Navitas' customers get the best pricing for their gas. As you might know, FWM Energy, LLC produces its natural gas in Fentress, Morgan and Scott Co (TN) – selling this locally produced gas generates jobs, wealth and stability close to the home of your clients. Please also take into account that by purchasing directly from the producer Navitas will not incur the transportation costs charged by Spectra.

As an additional proof of our commitment, should Navitas receive a better offer than the one presented in this document, for gas delivered at the Spectra-Morgan #3 gas station, we will improve that offer with a 3% discount, thus providing the lowest price for gas to Navitas' customers thanks to the price improvement offered and also due to the Spectra transportation cost savings the that the customers currently incur at that delivery point.

Sincerely,



**Marcelo M. Recchia**  
General Manager

10025 Investment Dr. Suite #160  
Knoxville, TN 37932  
Telephone: 865-240-0167  
Fax: 931-443-0300



August 28<sup>th</sup>, 2016

**Navitas Utilities Corporation**  
**Mr. Thomas Hartline, President.**  
3186 Airway Ave,  
Costa Mesa, CA 92626

RE: Proposal to supply natural gas to Navitas – September 2016 gas contract

Dear Mr. Hartline:

FWM Energy, LLC presents the following proposal to supply natural gas to the B&W gas pipeline:

For the time period of September 1<sup>st</sup> to September 30<sup>th</sup>, 2016:

a.- Supply first 3,000 MCF at 3.58 \$/MCF, and each MCF over the first 3,000 MCF at 3.22 \$/MCF

or

b.- Supply all MCF using the September 2016 NYMEX index (monthly average of Natural Gas price Henry Hub published by eia.gov) and a 1.22 adjustment

i.e. Gas price (\$/MCF) = Henry Hub price monthly average of  
September 2016 x 1.22

It is our dearest interest that Navitas' customers get the best pricing for their gas. As you might know, FWM Energy, LLC produces its natural gas in Fentress, Morgan and Scott Co (TN) – selling this locally produced gas generates jobs, wealth and stability close to the home of your clients. Please also take into account that by purchasing directly from the producer Navitas will not incur the transportation costs charged by Spectra.

As an additional proof of our commitment, should Navitas receive a better offer than the one presented in this document, for gas delivered at the Spectra-Morgan #3 gas station, we will improve that offer with a 3% discount, thus providing the lowest price for gas to Navitas' customers thanks to the price improvement offered and also due to the Spectra transportation cost savings the that the customers currently incur at that delivery point.

Sincerely,



**Marcelo M. Recchia**  
General Manager

10025 Investment Dr. Suite #160  
Knoxville, TN 37932  
Telephone: 865-240-0167  
Fax: 931-443-0300



September 28th, 2016

**Navitas Utilities Corporation**

**Mr. Thomas Hartline, President.**

3186 Airway Ave,

Costa Mesa, CA 92626

RE: Proposal to supply natural gas to Navitas – October 2016 gas contract

Dear Mr. Hartline:

FWM Energy, LLC hereby presents the following proposal to supply natural gas to the B&W gas pipeline:

For the time period of October 1st to October 31st, 2016:

a.- Supply first 3,000 MCF at \$4.00/MCF, each MCF over the first 3,000 MCF but below a total of 6,000 MCF at \$3.81/MCF and each MCF over 6,000 MCF at \$3.62/MCF.

b.- Supply all MCF using the October 2016 NYMEX index (monthly average of Natural Gas price Henry Hub as published at eia.gov) times an adjustment of 1.29.

i.e. Gas price (\$/MCF) = Henry Hub price monthly average of  
October 2016 x 1.29

It is our dearest interest that Navitas' customers get the best pricing for their gas. As you might know, FWM Energy, LLC produces its natural gas in Fentress, Morgan and Scott Co (TN) – selling this locally produced gas generates jobs, wealth and stability close to the home of your clients. Please also take into account that by purchasing directly from the producer Navitas will not incur the transportation costs charged by Spectra.

As an additional proof of our commitment, should Navitas receive a better offer than the one presented in this document, for gas delivered at the Spectra-Morgan #3 gas station, we will improve that offer with a 3% discount, thus providing the lowest price for gas to Navitas' customers thanks to the price improvement offered and also due to the Spectra transportation cost savings the that the customers currently incur at that delivery point.

Sincerely,



**Marcelo M. Recchia**  
General Manager

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Knoxville, TN 37932  
Telephone: 865-240-0167  
Fax: 931-443-0300



October 28th, 2016

**Navitas Utilities Corporation**

**Mr. Thomas Hartline, President.**

3186 Airway Ave,

Costa Mesa, CA 92626

RE: Proposal to supply natural gas to Navitas – November 2016 gas contract

Dear Mr. Hartline:

FWM Energy, LLC hereby presents the following proposal to supply natural gas to the B&W gas pipeline:

For the time period of November 1st to November 30st, 2016:

a.- Supply all MCF at a rate of \$3.77/MCF.


b.- Supply all MCF using the November 2016 NYMEX index (monthly average of Natural Gas price Henry Hub as published at eia.gov) times an adjustment of 1.29.

i.e. Gas price (\$/MCF) = Henry Hub price monthly average of  
November 2016 x 1.29

It is our dearest interest that Navitas' customers get the best pricing for their gas. As you might know, FWM Energy, LLC produces its natural gas in Fentress, Morgan and Scott Co (TN) – selling this locally produced gas generates jobs, wealth and stability close to the home of your clients. Please also take into account that by purchasing directly from the producer Navitas will not incur the transportation costs charged by Spectra.

As an additional proof of our commitment, should Navitas receive a better offer than the one presented in this document, for gas delivered at the Spectra-Morgan #3 gas station, we will improve that offer with a 3% discount, thus providing the lowest price for gas to Navitas' customers thanks to the price improvement offered and also due to the Spectra transportation cost savings the that the customers currently incur at that delivery point.

Sincerely,



**Marcelo M. Recchia**  
General Manager



November 30th, 2016

**Navitas Utilities Corporation**  
**Mr. Thomas Hartline, President.**

3186 Airway Ave,

Costa Mesa, CA 92626

RE: Proposal to supply natural gas to Navitas – December 2016 gas contract

Dear Mr. Hartline:

FWM Energy, LLC hereby presents the following proposal to supply natural gas to the B&W gas pipeline:

For the time period of December 1st to December 31st, 2016:

a.- Supply all MCF at a rate of \$3.22/MCF.

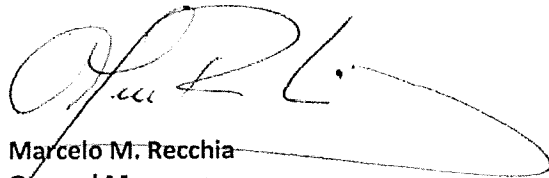
b.- Supply all MCF using the December 2016 NYMEX index (monthly average of Natural Gas price Henry Hub as published at eia.gov) times an adjustment of 1.29.

i.e. Gas price (\$/MCF) = Henry Hub price monthly average of  
December 2016 x 1.29

It is our dearest interest that Navitas' customers get the best pricing for their gas. As you might know, FWM Energy, LLC produces its natural gas in Fentress, Morgan and Scott Co (TN) – selling this locally produced gas generates jobs, wealth and stability close to the home of your clients. Please also take into account that by purchasing directly from the producer Navitas will not incur the transportation costs charged by Spectra.

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